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RUEHAK/AMEMBASSY ANKARA PRIORITY 3507
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1325
RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0073
RUEHKO/AMEMBASSY TOKYO PRIORITY 1192
RUEHIT/AMCONSUL ISTANBUL PRIORITY 1761
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STATE FOR SCA/CEN, EEB
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SUBJECT: TURKMENISTAN: MINISTER OF OIL AND GAS DISCUSSES
PLANS FOR PETROCHEMICAL SECTOR DEVELOPMENT AND TRAINING
CENTER

REF: A. ASHGABAT 0332

[1](#)B. ASHGABAT 0286

[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (SBU) SUMMARY: Minister of Oil and Gas Baymurat Hojamuhamedov told a U.S. Trade and Development Agency (USTDA) consultant on March 11 that his Ministry is eager to establish a petrochemical industry to receive higher value for the country's hydrocarbon resources, as well as to establish a major training program for hydrocarbon sector personnel. As the Minister outlined the steps in the planning process that his Ministry already has taken and received the consultant's feedback, it was clear that the Ministry lacks critical expertise that may keep both projects from becoming successes. Hojamuhamedov, however, seems to recognize this and has requested USTDA's assistance to put these ventures on the right track. END SUMMARY.

THE HOME OF TURKMENISTAN'S NEW PETROCHEMICAL INDUSTRY

[1](#)3. (SBU) Minister of Oil and Gas Baymurat Hojamuhamedov told a visiting U.S. Trade and Development Agency (USTDA) consultant in Turkmenistan on a definitional mission on March 11 that Turkmenistan wants to get more money for its hydrocarbon resources by establishing a petrochemical industry, rather than focusing solely on exporting raw products. It plans to begin by building a new refinery and oil and gas steam-cracking facility at the same location as the Seydi refinery, located in eastern Turkmenistan close to the Uzbekistan border (ref. A). Turkmenistan is focusing on Seydi first because its facility, which was never completed and which has been largely ignored since Turkmenistan's

independence in 1991, has fewer capabilities than the Turkmenbashi refinery. As it establishes a petrochemical industry, Turkmenistan wants to focus on first producing products for domestic markets that will help it to decrease its heavy dependence on petrochemical imports.

THERE IS METHOD IN TURKMENISTAN'S PLANNING

14. (SBU) According to the Ministry's plan, Seydi would seek to satisfy demand for products like plastic pipes, plastic bags and, possibly, toiletries and soaps in eastern and central Turkmenistan and possibly also allow for the export of small quantities to Uzbekistan and/or Afghanistan. A newly rebuilt Seydi refinery would also seek to fill domestic demand for gasoline and oil products in Turkmenistan's east and central regions. A second petrochemical facility that would subsequently be built at the Caspian Sea port of Turkmenbashi would focus on supplying western Turkmenistan and would export any surplus items to foreign markets. Such an arrangement, Hojamuhamedov suggested, would take advantage of the two facilities' geographic locations to cut down on transportation costs of finished products.

15. (SBU) The USTDA consultant questioned the strategy of building two separate, complete refinery/cracker complexes, given both the need to produce enough feedstock to keep both complexes operating and the cost involved in constructing the complexes. Instead, he suggested, Turkmenistan might consider building only one new refinery and one cracker, and separating the two facilities, much as many large companies split their refining and chemical production divisions. Hojamuhamedov asserted that Turkmenistan has enough feedstock and funding for two separate complexes. However, he clearly appreciated the honesty of the consultant's comments, asking

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whether it would be possible to work further with the consultant. The consultant then suggested that the Ministry should work with USTDA, stating that he had put together a proposal for a possible strategic feasibility study that, if approved by USTDA, would look at the immediate and long-term markets, and the competition. It would also look at Turkmenistan's feedstock situation and transportation costs, and then work with computer simulations to identify the best short- and long-term options. A second phase of this project would then look at the details of production, including both which products Turkmenistan should seek to produce and best petrochemical complex designs.

MINISTER ASKS FOR ASSISTANCE IN PETROCHEMICAL SECTOR

16. (SBU) The minister clearly appreciated both the consultant's honesty and the offer, and said bluntly, "We need to find a consultant, and we want to work with you." Although Hojamuhamedov said that he cannot, for political reasons, delay going forward in the next month with a design tender for Seydi -- Turkmenistan's president has already approved the plan to build a petrochemical complex there -- he eagerly agreed to the suggestion that the first stage of the strategic feasibility study and the tender could go forward in parallel. If USTDA would agree to go forward with the study, he promised the Ministry would work with the Cabinet of Ministers to facilitate the fastest-possible processing of the study proposal. (NOTE: USTDA has since agreed to fund a study. END NOTE.)

REQUEST FOR A MAJOR NEW TRAINING PROGRAM

17. (SBU) As he had February 29 with USTDA Regional Director Dan Stein (Ref B), Hojamuhamedov also asked for USTDA assistance with developing an oil and gas training center. He noted during the Soviet era there had been such a center, which had provided continuing education to hydrocarbon sector employees, but that center had stopped functioning after Turkmenistan became independent. The Ministry now wants to reestablish that center, and has been consulting with a

number of foreign companies, looking at possible models.

¶18. (SBU) According to Hojamuhamedov, Turkmenistan wants to provide training to all levels -- from low-level welders to upper-level experts and managers, with a focus on all aspects of the hydrocarbon and petrochemical industries. He wants assistance with creating a plan for a step-by-step establishment of the training program, which would be spread among Turkmenistan's provinces. The USTDA consultant noted that this is a big project. Nevertheless, while nobody has offered a program whose scope is comparable to what the Ministry wants, there are some good models, including the French Institute for Petroleum. In the United States, these types of training seminars are carried out within major oil companies, rather than centrally. The minister said that he is considering contracting with various companies, based upon their expertise, to deliver such training opportunities on a turnkey basis. He proposed drawing on a Rosneft program for oil and Gazprom program for gas.

¶19. (SBU) Stressing the need for a year-in, year-out commitment, the consultant suggested that developing a training program would require a longer-term approach than Hojamuhamedov had outlined. If USTDA were to agree to take on this possible program, it would need to determine what elements Turkmenistan already has in place. Then, based on that, develop a matrix of where, how, and what Turkmenistan

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wants in its new training center. USTDA would then need to identify a training specialist who could come to Turkmenistan and help to bring together the various elements. Hojamuhamedov stated that Turkmenistan has already completed the first two steps, but needs help pulling together a training center matrix. The consultant agreed to recommend that USTDA consider funding such a program.

¶10. (SBU) COMMENT: The willingness of more -- though not all -- hydrocarbon sector officials to admit they are in over their heads is a positive development. Hojamuhamedov's frank request for assistance may have been eased by his familiarity with programs USTDA is doing with the State Agency for Hydrocarbon Resources, which so far have been quite successful. It was clear that he appreciates the expertise that USTDA can bring to the equation. END COMMENT.
HOAGLAND